

CA1L29

-65P03

Can. Dept. of Labour, Economics
and Research Br.

Occasional paper no. 3

Saunders, George

Wage determination in
Canada

3 1761 11767038 0



OCCASIONAL PAPER

NO.3

WAGE DETERMINATION
IN
CANADA

by
GEORGE SAUNDERS

APRIL
1965

ECONOMICS AND RESEARCH BRANCH
DEPARTMENT OF LABOUR, CANADA

NOTE

In the course of the researchwork carried out by the Economics and Research Branch of the Department of Labour in the manpower and industrial relations fields, special studies of a technical and semi-technical nature are undertaken from time to time the full results of which are not included in the regular reports issued by the Branch. For some time, it has been felt that findings of such special studies should be made available to research workers and others for their information and possible use.

This series of occasional papers, therefore, will contain the results of such special studies which would not otherwise be distributed as a part of the regular publication program of the Branch; the main purpose being to provide a means of bringing to the attention of research workers and others the results of studies encompassing a wide range of subjects in the manpower and industrial relations fields.

Papers in this series will be issued only as and when appropriate research work has reached the point at which publication is warranted.

The authors of these occasional papers will be exploring many aspects of their research findings. It should, therefore, be understood that responsibility for inferences and implications is assumed by the authors and should not necessarily be interpreted as a reflection of official Departmental thinking or policy.

J. R. Francis,
Director,
Economics and Research Branch.

OCCASIONAL PAPER

NO.3

WAGE DETERMINATION
IN
CANADA

by
GEORGE SAUNDERS

APRIL
1965

ECONOMICS AND RESEARCH BRANCH
DEPARTMENT OF LABOUR, CANADA

© Crown Copyrights reserved

Available by mail from the Queen's Printer, Ottawa,
and at the following Canadian Government bookshops:

OTTAWA

Daly Building, Corner Mackenzie and Rideau

TORONTO

Mackenzie Building, 36 Adelaide St. East

MONTREAL

Æterna-Vie Building, 1182 St. Catherine St. West

WINNIPEG

Mall Center Bldg., 499 Portage Avenue

VANCOUVER

657 Granville Avenue

or through your bookseller

A deposit copy of this publication is also available
for reference in public libraries across Canada

Price 50 cents

Catalogue No. L2-26/3

Price subject to change without notice



1135361

ROGER DUHAMEL, F.R.S.C.
Queen's Printer and Controller of Stationery
Ottawa, Canada
1965

★ Contents ★

	Page
Introduction	1
1 - Economic Background	3
2 - Institutional Background: Trade Unionism	7
3 - Institutional Background: The Government	17
4 - Wage Developments Since 1953	21
5 - Wages, Costs and Prices	39
6 - Conclusion	41
Footnotes	43

List of Tables

1 - Percentage of Workers Affected by Collective Agreements, Selected Canadian Industries, 1962	9
2 - Union Membership by Region, 1961	9
3 - Union Membership by Type of Union and Affiliation, January 1962	11
4 - Structure of Collective Bargaining in Canada	13

	Page
5 - Gross National Product, Prices, Real Wages, Unemployment and Labour's Share of National Income, 1946-1962	23
6 - Percentage Changes in Average Weekly Wages and Salaries, by Major Industry, Canada, 1946-1962	24
7 - Percentage Changes in Employment by Major Industry, Canada, 1953-1962	25
8 - Percentage Changes in Average Weekly Wages and Salaries, and Employment in Canada, by Province and Region, 1953-1962	26
9 - Percentage Changes in Wages and Salaries, Selected Professional, Skilled and Unskilled Occupations, 1958-1962	28
10 - Dispersion of Inter-Industry Average Weekly Wages and Salaries, and Average Hourly Earnings of Hourly Rated Workers, 1949, 1953, 1956 and 1961	29
11 - Average Weekly Wages and Salaries, Major Industries and Provinces, 1962	31
12 - Year to Year Changes in Negotiated Wages in Large Bargaining Units and Average Hourly Earnings (AHE), in Cents Per Hour, by Industry, 1959-1962	33
13 - Eighty Per Cent Range of Wage Settlements in Cents Per Hour, Large Bargaining Units by Industry, 1959-1962	34
14 - Changes in Negotiated Wages in Cents Per Hour, in Large Bargaining Units in Iron and Steel Products, Electrical Apparatus and Supplies and Motor Vehicles and Motor Vehicles Parts and Accessories, 1956-1962	35
15 - Negotiated Wage Changes, Bargaining Activity and Strikes, 1959-1962	36

★ Introduction ★

Wage setting in the Canadian economy generally takes place at the level of the individual establishment or company. Multi-establishment or multi-company wage setting is limited and rarely extends beyond local or regional boundaries. There is no national system of wage determination which guides wage setting throughout the economy. Nor is there a government policy which either specifies what wage movements should be or indicates in any detailed manner how wages should behave. Indeed, wage setting in Canada is so highly responsive to local conditions and pressures as to reflect very large local differences.

The decentralized character of the wage determination process in Canada has its roots in the pronounced cultural, social and economic differences within the country. Such differences are fostered by the dispersed settlement of a small, diverse population on a huge land mass. Some 19 million Canadians live in a country encompassing about four million square miles, an area which, next to the Soviet Union, is the largest in the world. About 90 per cent of the people live within 50 miles of the United States border along an area stretching some 4,000 miles from the Atlantic to the Pacific.

More than one-quarter of the total population is French speaking, lives in the Province of Quebec, retains a culture and tradition markedly different from English speaking Canadians and enjoys and exercises a considerable degree of independence and power in the determination of events within the borders of that province. These divisive influences are deepened by the regional concentration of resources and industry, the high costs of transportation and communication uniting the various sectors of the economy, and the consequent tendency for regions to develop independently of each other. The effects of these factors are fundamentally expressed in strong regional political autonomy engendered by the Canadian federal form of government which gives provincial

governments wide powers over the economy, including jurisdiction over labour matters affecting more than 90 per cent of the labour force. The fact that the federal and provincial governments are often in the hands of different political parties tends to increase the degree of provincial and sectorial autonomy. It is, therefore, not surprising that arrangements in the labour market, as in other markets, tend to be highly decentralized creating strong barriers to the co-ordination of wage and other economic behaviour beyond the local or regional level. These local arrangements and barriers occupy positions of particular significance in the widely different economic experiences of the various sectors in the Canadian economy.

The purpose of this paper is to describe the economic, institutional and political factors in the wage determination process in Canada and to assess the influence of these factors on recent wage, cost and price developments. The economic, institutional and political backgrounds to Canadian wage determination are given in Chapters 1, 2 and 3. In Chapters 4 and 5 evidence is presented on wage behaviour in different labour markets and cost and price movements in various sectors of Canadian Industry. Chapter 6 concludes the paper.

★ 1 ★

Economic Background

The three main factors underlying the economic nature of the Canadian economy have been, and still are, geographical, dependence on international trade, and proximity to the United States. The continental scope of Canada, and her small widely dispersed population, foster regional specialization and this specialization is helped by the diversity of resource endowment among the various regions and the influence of the adjacent United States region. The result is wide regional differences in economic development and prosperity across the country. On the west coast, British Columbia, rich in natural resources, is a centre of high wage, high productivity heavy industries such as mining, logging and paper, has a highly trained labour force, a strong union movement and is adjacent to a rich market in the Northwest United States. The Prairie Region (the Canadian midwest), is Canada's agricultural belt, with wheat farming as the predominant industry, the fortunes of which are closely tied to the international economy. Recent discoveries of oil in the Province of Alberta have resulted in an industrial boom in that region.

Quebec and Ontario, located in central Canada, are the two most heavily populated regions. They are the centre of Canada's manufacturing industries and are well diversified with substantial logging, mining, financial and agricultural industries. Quebec is behind Ontario industrially, with a relatively larger agricultural sector, a less mobile work force and a lower wage, lower productivity manufacturing sector. Since World War II, however, Quebec has developed rapidly and the economic gap between the two regions is closing.

Finally, the Atlantic region, made up of four provinces situated on Canada's east coast, lies at the low end of the economic scale. The area is characterized by a poverty of factor endowment, compared to the richer regions of Canada, declining industries, a relatively large proportion of the labour force untrained, a weak

union movement, small local markets, and great distances from the richer markets in Canada and the United States.

The economic diversity of Canada's regions is matched by similar diversity in her industrial structure. Historically, Canadian economic growth has rested on a raw material base and the development of a large-high wage, high-productivity export sector. A good part of this sector, which accounts for some 20 to 25 per cent of Canada's national income, tends to be concentrated in large-scale enterprises exercising monopolistic or oligopolistic control over certain resources found only in limited areas. Examples are mining, smelting and processing of asbestos, gypsum, nickel, aluminum, lead and zinc.

During the past 25 years of her economic development, Canada has developed an important secondary manufacturing industry behind high tariff walls and other trade barriers. High transportation costs and smallness of the domestic market have prevented economies of scale necessary for efficient production in some sectors of this industry, and have tended to result in the development of large-scale enterprise and monopolistic concentration of production in other sectors. In recent years, much of this sector of industry has been subjected to intense import competition resulting in a number of basic adjustments, the ramifications of which have had a wide influence on the economy as a whole. Finally, an extremely diverse tertiary industry has developed in Canada in response to needs imposed by the unique characteristics of the Canadian economy. Some of these industries comprise small-scale, local enterprises; others such as railways, communications and banking, comprise enormous oligopolistic enterprises that are national in character and stretch across the length and breadth of the country.

The implications of regional and industrial economic differences for wage determination can be appreciated in the very different economic changes these areas have experienced during the past 25 years. Since 1939, Canada has undergone a tremendous economic growth. Gross national product has grown from 5.6 billions of dollars in 1939 to almost \$37 billions in 1961, an increase of about 557 per cent. In real terms, this represents an increase of 178 per cent. The various regions and industries have shared differently in this economic growth. During the war and the immediate post-war years, all sectors shared in the general prosperity and inflation of those periods. Unemployment was low right across the country and the serious economic problems that were to plague Canada in the ensuing decade were virtually nonexistent. Inflation was the major economic problem of the 1940's.

In the 1950's, basic changes in the world economy fundamentally affected the development of the Canadian economy. Secondary industry suffered severe setbacks as export markets

ECONOMIC BACKGROUND

disappeared and the degree of import competition rapidly increased. The basic adjustments that some of the industries in that sector underwent, set the pace for the "technological revolution" of the Canadian economy during the 1950's. On the other hand, Canada's resources and resource-based industries continued to thrive by feeding the economic and industrial boom then taking place in a number of foreign markets. The new technology in Canada also resulted in the emergence of new industries and the rapid expansion of various service and other "domestic" industries. It also brought with it severe economic problems for those industries that were subject to the obsolescence imposed by the onset of technological change.

These adjustments have been accompanied by a corresponding re-alignment of the economic position of Canada's various regions. The wealthier regions, rich in resources and industry, have been successful in meeting the problems posed by a changing world environment and have continued to grow and expand. The poorer regions, such as the Atlantic area, based on a few natural resources and such declining industries as coal mining, have continued to experience a relative decline in their economic status. Similar contrasts in adjustment have also occurred within regions and given rise to the evolution of prosperous areas side by side with declining and depressed areas. It is significant that the economic problems encountered in the Canadian economy during the 1950's were so severe and diversified in their effects as to cause Canada to become a pioneer nation in the development of a variety of manpower and depressed-area programs and legislation.

In summary, the Canadian economic system is one of very wide economic differences. These are fostered by regional concentration of resources and specialization of output, and a heavy dependence on the international economy. The results of this system for wage determination are, on the one hand, the concentration of economic behaviour regionally with little co-ordination nationally except in a few nation-wide industrial sectors and, on the other, the compulsion on Canadian industry to make economic adjustments in response to changing international conditions rather than to conditions dictated by domestic considerations. The stresses and strains imposed by these factors on the Canadian labour market are manifested in the lack of co-ordination of wage behaviour, the wide dispersion of wages and working conditions across the country and the rapid shifts in wage differentials prompted by large changes in the composition of labour supply and demand.

Institutional Background: Trade Unionism

Some one and a half million Canadian workers, or about one-quarter of the labour force, have their wages and working conditions determined by collective bargaining. Such bargaining generally takes place locally between individual employers and unions. Joint bargaining, involving more than one employer or more than one union is the exception and, where it occurs, it is generally restricted to the local area or region. With one or two exceptions, industry-wide bargaining on a nation-wide scale does not exist in Canada. Moreover there are no forms of national co-ordination of bargaining activity or established guidelines along which negotiations could proceed. However, bargains that are struck locally may have far-reaching consequences for wage determination in the economy as a whole because of the nature and pattern of union organization. For one thing, unionism in Canada is organized along industry and craft lines with the result that settlements in one sector of industry may be imitated to some extent in other sectors of the same industry or in related industries. Again, the concentration of unionism, especially the newer industrial unionism in high wage, large-scale enterprises, has resulted in the imposition of pressures not only on the older unionized sectors in declining or relatively stagnant industries such as shipbuilding, printing, street and railway transportation, clothing and textiles but also on wide areas of the non-union sector thus giving collective bargaining a potential influence on wage setting well beyond the limits of union organization.

The Nature of Union Organization

It is only in recent years that Canadian unions have attained their present stage of maturity. Before World War II, union membership never amounted to more than one-sixth of the non-agricultural paid labour force. Under the impetus of the war and

concurrent legislation, unionization spread rapidly, growing two-fold during the war period. By 1954 some one-third of the non-agricultural paid labour force belonged to unions. Union membership has remained at that level since.¹

Most union members are concentrated among blue-collar workers in the higher wage sectors of manufacturing, forestry, utilities, mining and transportation industries (see Table 1). Very little organization is found in service, trade and finance or among white-collar, professional, scientific and technical occupations. Union membership is found mainly in the larger urban centres across the country. The most heavily unionized areas are British Columbia and Ontario. The extent of unionism is least in the Atlantic region (see Table 2).

Structurally, Canadian unions are organized along industrial or craft lines. The large industrial unions, that is unions comprising all blue-collar, non-supervisory workers in an industry regardless of skill, are characteristic of the mass production industries such as automobile, farm machinery, steel, rubber and meatpacking. Craft unions are found in such industries as construction, railways, printing and machinery where workers of different skills belong to separate unions representing these skills. In recent years a number of craft unions such as the machinists, electrical workers and carpenters have extended their organization to workers outside their crafts. Indeed, most unions have members outside their original jurisdictions but with few exceptions the numbers are not significant and are usually confined to workers in related industries. For example, carpenters have organized woodworkers and machinists have organized workers in the metal industries.

Each union enjoys complete autonomy in the conduct of its affairs. It controls its own finances; makes its own decisions concerning discipline of union members, strikes and the formulation of collective bargaining policy; conducts its own negotiations; and administers its own agreements. To promote common interests, Canadian unions have joined together into loose federations, the major such federation being the Canadian Labour Congress. About three-quarters of union members belong to unions affiliated with this Congress. Approximately seven per cent of union members, virtually all of them in the Province of Quebec, are affiliated with the Confederation of National Trade Unions, an organization which represents a separate labour movement developed on principles reflecting the Catholic-French culture of that province.² The balance of union membership is represented either by organizations independent of a central labour congress, or by unions not affiliated with a central labour body in Canada but linked with the AFL-CIO in the United States.

TRADE UNIONISM

TABLE 1
PERCENTAGE OF WORKERS AFFECTED BY COLLECTIVE
AGREEMENTS, SELECTED CANADIAN INDUSTRIES,
1962

Industry	Non-Office per cent	Office per cent
Manufacturing	67	7
Mining	76	-
Transportation, Storage and Communication	89	44
Public Utilities	86	38
Service (Personal)	28	-
Wholesale Trade	20	2
Retail Trade	13	1
Finance and Insurance	-	.3

SOURCE: Economics and Research Branch, Department of Labour, Working Conditions in Canada, 1962 Annual, Queen's Printer, Ottawa.

TABLE 2
UNION MEMBERSHIP BY REGION,
1961

Region	Union Membership (1)	Non-Agricultural Paid Workers (2)	Per Cent * (1) + (2) x 100 (3)
Atlantic	86,800	410,000	21.2
Quebec	354,100	1,343,000	26.4
Ontario	538,800	1,902,000	28.3
Prairie	167,200	696,000	24.0
British Columbia	193,600 †	447,000	43.3
Not Specified	82,300	-	-
Canada	1,422,800	4,798,000	29.7

* Percentages should be treated as approximate since the union membership and non-agricultural paidworkers data are not comparable having been developed from different surveys using different methodology. Also, a large number of union members have not been distributed regionally.

† Includes Yukon and Northwest Territories.

SOURCE: Union membership figures from Economics and Research Branch, Department of Labour, Industrial and Geographical Distribution of Union Membership in Canada, 1962, Queen's Printer, Ottawa, 1963. The figures report union membership on January 1, 1962.

Non-Agricultural Paid Workers from Dominion Bureau of Statistics (DBS), Special Surveys Division. The figures are annual averages for 1961.

Like the AFL-CIO in the United States, the Canadian Labour Congress has no legal power over its affiliates and takes no part whatsoever in collective bargaining. It acts rather as a clearing-house for information, undertakes research, assists affiliates in organization, and takes an active role in political activity. The amount of influence it can exert over affiliated unions is dependent on its prestige and the support it receives from member unions.

For purposes of collective bargaining each union comprises a network of locals. These local unions usually have as members, workers in individual establishments or some other defined local unit such as a community or part of a community. The power given to locals varies from union to union and has a great deal to do with the fact that most union members in Canada (almost three-quarters) belong to unions with headquarters in the United States (see Table 3). The phenomenon of United States organization of the Canadian labour movement has its roots in the economic, social and cultural similarities between the two nations and the opportunities offered Canadian workers to draw on the finances, experience and tactics of the established labour movement in the United States.

In most cases, because Canada is a sovereign state, local autonomy in collective bargaining tends to be greater for Canadian locals than for United States locals in the same union.³ Although union constitutions often give union headquarters considerable powers over locals, including the important power to veto strike votes and withhold strike funds, such powers are rarely exercised. "In the conduct of bargaining negotiations, the administration of agreements and other dealings with employers, Canadian locals with a few notable exceptions enjoy almost complete autonomy. According to records of the Dominion Department of Labour, between 70 and 80 per cent of all union agreements in Canada, covering about the same percentage of all workers under agreement, are negotiated between individual union locals and individual employers. The extent to which the local surrenders authority over bargaining is more often a decision of the local than of the union as such."⁴

Local autonomy is particularly significant among locals of craft unions. Agreements are negotiated between individual locals and individual employers and the terms of the agreement reflect rather closely local conditions. Among the large industrial unions, bargaining tends to be more centralized in the offices of the Canadian national or regional directorates. However, such centralization is much more prevalent in the United States. Because of the unique geographical, economic and political characteristics of the Canadian economy, co-ordination on a nationwide scale is limited. There are few industry-wide or company-wide union

TRADE UNIONISM

agreements over the nation as a whole as one finds in the United States in such industries as steel and auto.⁵

TABLE 3
UNION MEMBERSHIP BY TYPE OF UNION AND AFFILIATION,
JANUARY 1962

Type and Affiliation	Membership	Percentage
International Unions	1,024,969	72.1
AFL-CIO/CLC	860,628	
CLC Only	12,629	
AFL-CIO Only	33,137	
Unaffiliated Railway Brotherhoods	9,406	
Other Unaffiliated Unions	109,169	
National Unions	334,747	23.5
CLC	155,899	
CNTU	96,226	
Unaffiliated Unions	82,622	
Total, International and National Unions	1,359,716	
Directly Chartered Local Unions	25,949	1.8
CLC	19,989	
CNTU	5,960	
Independent Local Organizations	37,118	2.6
Total	1,422,783	100.0

SOURCE: Economics and Research Branch, Department of Labour,
Labour Organizations in Canada, 1962, Annual, Queen's
Printer, Ottawa.

Local bargaining autonomy receives significant support in the decentralization of political authority over labour matters and the principles governing the certification of bargaining units. The labour relations legislation in each jurisdiction provides procedures for the recognition of unions for purposes of bargaining with

employers. To be certified, unions are required to demonstrate on application that the majority of the non-supervisory workers in a unit are bona-fide members of the union. Determination of the unit is a decision of the labour relations boards established under the legislation. Invariably these boards have decided in terms of the producing unit, that is the individual plant or part of a plant, basically following the existing situation. Bargaining units extending beyond a recognized producing unit are not numerous and usually require the consent of the employer or employers and unions involved before the boards will decide in favour of such units. The recognition and certification of a bargaining unit means that bargaining negotiations involving multi-units are difficult without the agreement of one party or the other to such bargaining. The collective agreement carefully spells out in detail the unit and the employees in the unit affected by the terms of the agreement.

Despite local autonomy in bargaining, it cannot be denied that local unions are affected and influenced by policies formulated by both Canadian and international headquarters and by the bargaining strategy and success of other locals in Canada or the United States. There are numerous instances, particularly in such manufacturing industries as can manufacturing, steel and automobiles, of Canadian locals adopting, with very little change, the bargaining program of their counterparts in the United States. The economic similarity of the industries in Canada and the United States facilitates the development of this type of bargaining in Canada. In other instances, because of the need of outside help in bargaining, local autonomy may be modified by the dominant role in negotiations taken by representatives from union headquarters.

For purposes of collective bargaining, there is no single employers' association of predominant importance in Canada. Associations exist in such industries as printing, clothing, trucking and logging. A number of these associations play an active role in collective bargaining. Employer associations are rarely industry-wide but, rather, are concentrated regionally, provincially or locally. No national association of employers' associations exists for purposes of collective bargaining.

The Structure of Collective Bargaining

The decentralized nature of collective bargaining in Canada is illustrated in statistics on types of bargaining situations. Of 429 agreements (excluding construction industry agreements) in force during 1962, each covering 500 or more employees, single establishment bargaining took place in 248, or 58 per cent of the situations, affecting some 296,000 workers or more than one-third of the workers analysed (see Table 4). Such bargaining is found especially among small- and medium-sized single operations

TABLE 4
STRUCTURE OF COLLECTIVE BARGAINING IN CANADA

(Agreements in force during 1962 covering 500 or more employees in industries outside the Construction sector)		
Bargaining Situation	Agreements	Employees
Single Establishment - One Union	226	274,710
Single Establishment - Two or More Locals of One Union	4	3,200
Single Establishment - Two or More Unions	17	16,970
Single Establishment - Council of Unions	1	900
Multi-Establishment - One Union (one or more locals)	98	217,910
Multi-Establishment - Two or More Unions	6	13,870
Multi-Establishment - Council of Unions	-	-
Multi-Employer - One Union (one or more locals)	21	39,050
Multi-Employer - Two or More Unions	5	118,950
Multi-Employer - Council of Unions	-	-
Association of Employers - One Union (one or more locals)	51	111,640
Association of Employers - Two or More Unions	-	-
Association of Employers - Council of Unions	-	-
Total	429	797,200

SOURCE: Economics and Research Branch, Department of Labour, Structure of Collective Bargaining in Canada
(Study not completed).

firms.⁶ However, single establishment bargaining is also widespread among large multi-establishment companies in steel, aluminum, chemicals and tires. It should be appreciated that the proportion of single establishment bargaining would be much higher if the statistics included the thousands of bargaining units involving less than 500 employees.

Multi-establishment bargaining within a firm existed in 104 of the 429 situations covering 231,000 of the 797,000 workers. This type of bargaining varies in scope from particular plants of an employer to all establishments of a corporation and from designated cities or geographical districts to all establishments of an employer within a province or across Canada. Corporation-wide bargaining, although not the dominant procedure for multi-establishment employers in Canada, occurs in such industries as railway, automobile, agricultural implements, can manufacturing, meatpacking, electric power, telephone communications and broadcasting.

Multi-employer bargaining is less common in Canada than single- and multi-establishment negotiations. This form of collective bargaining takes three forms - several employers within an industry negotiating jointly with one union or various locals of that union, a number of employers within an industry bargaining jointly with two or more unions, and more frequently, associations of employers bargaining with one union on behalf of member firms. Multi-employer bargaining is usually limited geographically to particular cities or regions. Examples of joint bargaining occur in British Columbia shipbuilding, railways, Ontario breweries, chain food stores and British Columbia pulp and paper. Association bargaining is found in clothing, printing and leather (all restricted to individual communities) and trucking, coal mining, sawmilling and shipping (restricted to provinces or regions).

It should be stressed that these statistics on the structure of collective bargaining represent almost completely the extent of multi-establishment and multi-employer bargaining in Canada but greatly understate the extent of single establishment bargaining.

Although multi-establishment and multi-employer bargaining is limited in Canada, the same result may be obtained via the phenomenon of pattern bargaining, i.e., terms of settlement in "key" firms being followed by other firms. Unfortunately, little evidence exists on this subject in Canada and therefore it is not possible to assess fully the extent, nature and influence of pattern bargaining in the Canadian economy. Negotiations resulting in similar terms of settlement have been observed among major manufacturing, mining, logging and railway companies but the patterns of such settlements are generally regional, largely because the industries affected, e.g., automobiles and rubber are concentrated regionally. However, even in the case of such nationwide or multi-regional industries as steel, logging, pulp and paper, and

TRADE UNIONISM

mining, the spread of patterns tends to be restricted regionally. Nationwide patterns in some terms of settlements are found at times in meatpacking and can manufacturing. Similarity of settlements across major industry lines have been more difficult to document, especially beyond the local or community level.

Pattern bargaining in Canada appears to vary a great deal with the general economic climate, the degree of competition in the product market, the type and extent of union organization and the nature of collective agreements. Where business is bad or competition fierce, as has been the case in Canada during part of the 1950's, very little pattern bargaining is discernible. Where unions are organized along craft lines - and there are many such unions in Canada - or have limited coverage, the spread of a pattern may be limited. Finally, the fact that collective agreements are signed for fixed periods of time tends to modify the potential influence of so-called "key" settlements. This is because, in Canada, collective agreements cannot be opened for negotiations before the expiry date written into the contract. Thus the phenomenon of contracts being re-negotiated when economic conditions change sharply or when an important settlement takes place in industry does not occur in Canada as has been observed to occur in the United Kingdom. Moreover, the spread of long-term agreements has widened the time span between expiry dates in various contracts tending to result in further dilution in the spread of similar terms of settlement.

Institutional Background: The Government

The government factor in the labour market is conditioned by the fact that labour matters come under 11 separate jurisdictions: the federal government, which accounts for less than 10 per cent of the labour force and the 10 provincial governments, which legislate for the remaining 90 or more per cent. Thus federal government influence in the labour market has been largely indirect, operating through such instruments as monetary and fiscal policies and various manpower programs and legislation designed to improve the mobility of labour. The provincial governments have exercised their influence mainly through labour relations legislation and participation on a co-operative basis in federal government manpower programs. Other programs or forms of labour legislation in the provinces have not been particularly significant in their impact on wage setting.

Each of the 11 jurisdictions has legislation governing the relations between employers and employees. Although such legislation is generally similar in all jurisdictions, there are sufficient differences in their operations and administrative procedures to discourage the nationwide co-ordination of collective bargaining in most industries.⁷ It is significant that industrywide bargaining on a national scale is best developed in the railways, one of the few major industries under federal jurisdiction.

As in the United States, Canadian labour relations legislation provides full protection to employees to unionize and to elect their representatives for bargaining, compel bargaining in good faith, and list and provide for the remedy of unfair labour practices. These provisions first appeared in Canada during World War II in PC-1003, a wartime Order in Council passed in 1943. They were later incorporated in the various provincial laws and in the Federal Industrial Relations and Disputes Investigation Act of 1947. Previous to this development, labour relations legislation in Canada was mainly concerned with outlining procedures that had to be

complied with before strike or lockout action could take place. These procedures are still included in the legislation. Briefly, they provide that parties to collective bargaining must submit their dispute to conciliation if they are unable to reach a settlement and strikes and lockouts are prohibited until a conciliation board has reported its recommendations for the settlement of the issue in dispute. The parties to bargaining are not required to accept such recommendations which are designed to bring the pressure of public opinion to bear in the settlement of disputes. In the main, conciliation boards which are tripartite in nature do not bring general economic policy judgments to bear on wage or other issues of dispute but seek to make recommendations which will help to avoid unnecessary strikes or lockouts.

Strikes or lockouts are also illegal during the term of the labour contract. In most instances, arbitration is incorporated into the agreement as the final step in the grievance procedure to solve disputes arising over interpretations of the terms of the contract.

The various levels of government exercise little direct influence on wages or the wage setting process. A minimum wage is being considered for federal jurisdiction. Provincial minimum wage laws exist for certain categories of workers, but for the most part the wages set under these laws are so low and restricted in coverage as to have virtually no effect on wage levels.⁸ Recently, in New Brunswick and Ontario, substantial minimum wages have been established in certain industries and areas. It is too early to assess the effects of these amendments but the relatively high levels of wages established under the laws will undoubtedly have some impact on employment and wages in these two provinces.

Equal pay Acts are in force in federal jurisdiction and in eight provinces. Under these Acts, employers are prohibited from employing a female for any work at a rate of pay that is less than the rate at which a male is employed by that employer for identical or substantially identical work. These laws are enforced only through complaint.

Labour employed by private business on government contracts is subject to Government Fair Wage legislation. Wages to be paid to these employees are those in existence for the type of work in the district, or if there are no comparable rates, fair and reasonable rates are determined by the Minister of Labour.

From the standpoint of an employer of labour, the various levels of government in Canada exercise little influence over wages in general. In the first place, government is not a large employer of labour as it is in most other countries. Second, for wage and working conditions setting purposes, the government by and large is a follower of patterns developed in outside industry rather than a leader.

THE GOVERNMENT

Various government measures on the supply side of the labour market are having a potentially favourable effect on wage levels and structures in Canada. These include the operation of the National Employment Service which has established some 200 employment offices across the country, all working together to reconcile labour supply and demand; a selective immigration policy and encouragement of the immigration of workers with skills which are in short supply in Canada; the operation of the Technical and Vocational Training Assistance Act of December 1960 to assist the provinces (since education is a provincial concern) in training prospective entrants into the labour force and in retraining of workers displaced by technological change and the operation of the Manpower Consultative Service. Under the Manpower Consultative Service, the federal government will help finance research and development plans undertaken by employers and unions to alleviate the adverse manpower effects of technological change. All of these programs are designed to ensure that there is an adequate supply of labour of the right quantity and quality in relation to the manpower demands of the economy. In this way occupational shortages, lack of mobility and poor utilization of labour do not create unnecessary pressures on labour costs.

Wage Developments Since 1953

As would be expected in an economy where wage determination is decentralized and a great deal of freedom is exercised in the wage-setting process, wage behaviour is closely influenced by economic forces. Wages rise faster in periods of expansion than in stable or contracting periods. They reflect changes in the economic fortunes of occupations, industries and geographical areas and they appear to respond quickly to significant changes in the composition of labour demand and supply. Market forces probably play a more important role in wage determination in Canada than in most, if not all, of the advanced industrial nations of the world. In their study of national wage structures, Reynolds and Taft concluded as follows for Canada:

"The Canadian case is one of a young and rapidly expanding economy, with large shifts occurring in the composition of labour demand and an unusual degree of decentralization and freedom in wage determination. One would expect to find substantial wage differentials of every type, and one would also expect rapid shifting of differentials prompted mainly by labour demand and supply developments. The fact that events seem to accord closely with these a priori expectations suggests that economic theories of wage determination retain a high degree of usefulness in analysing liberal economies of the Canadian sort."⁹

Wage developments since 1953 reflect an environment, which compared to the period since World War II is characterized by slow economic growth overall on the one hand, and widely different economic changes among the various sectors of the

economy on the other. Since 1953 fundamental changes in the international environment have greatly increased international competition, thus constituting a challenge to Canadian output in both domestic and foreign markets. Gross national product in real terms rose barely more than 3 per cent per year between 1953 and 1962. Unemployment rose from 3 per cent of the labour force in 1953 to a peak of 7.2 per cent in 1961. Since 1958 unemployment has hovered between 6 and 7 per cent per year. The consumer price index on a 1949 base = 100 climbed slowly from 115.5 in 1953 to 130.7 in 1962, and the wholesale price index rose even more slowly in the same period from 111.3 to 121. These rates of increase were considerably less than the increases in the previous period (see Table 5). On the other hand, rapid technological advance, uneven economic changes among sectors and widespread shifts in the employment of the Canadian labour force are characteristic of the 1950's in Canada resulting in large differences in employment, output and productivity among industries and areas.¹⁰

All of these factors have had an important effect on wage developments. Wages rose somewhat more slowly between 1953 and 1962 than in the previous period (1946-1953). Over the whole postwar period, 1946-1962, average weekly wages and salaries in all industries rose by some 148 per cent. In contrast, between 1953 and 1962 wage and salary increases were of the magnitude of 41 per cent (see Table 6).

Since 1953 average wages and salaries have increased every year, although the rate of increase was slower in years of low economic activity (1953-1954 and 1957-1958) than in years of rapid economic activity (1955-1957 in particular). Also, in periods of high economic activity increases in earnings, with some exceptions, tended to be uniform throughout the economy. In periods of low economic activity, rates of earnings increases diverged with employees in expanding sectors such as service, public utilities, and finance and insurance continuing to enjoy relatively high rates of earnings increases, whereas employees in declining, stagnant or stable sectors (manufacturing and forestry, for example) received lower rates of wage and salary increases. Over the whole period (1953-1962) wage and salary increases were largest in service, public utilities, finance and insurance, which were also the fastest growing sectors in terms of employment.¹¹ Wage and salary increases were smallest in manufacturing and forestry, two sectors which showed very little expansion in employment (see Table 7).

Similar trends are noted on a geographical basis reflecting the varied economic experience of Canada's major regions. Between 1953 and 1962 average weekly wages and salaries rose least in the Atlantic provinces with an increase of some 34 per cent. Wage and salary increases in the other regions varied from 38 per

WAGE DEVELOPMENTS

TABLE 5
GROSS NATIONAL PRODUCT, PRICES, REAL WAGES,
UNEMPLOYMENT AND LABOUR'S SHARE OF NATIONAL INCOME,
1946-1962

	1946-62	1953-62	1953-54	1954-55	1955-56	1956-57	1957-58	1958-59	1959-60	1960-61	1961-62
G. N. P. at Market Prices (percentage changes)	240.1	61.5	- .6	9.1	12.7	4.3	3.1	6.1	3.8	3.2	8.0
G. N. P. Constant (1949) Prices (percentage changes)	84.3	35.2	-2.4	8.6	8.6	1.3	1.2	3.5	2.2	2.6	6.2
Wholesale Price Index (1949=100) (percentage changes)	72.9	8.7	-1.7	.9	3.1	.7	.3	1.2	.1	1.0	2.9
Consumer Price Index (1949=100) (percentage changes)	68.6	13.2	.6	.2	1.5	3.2	2.6	1.1	1.2	.9	1.2
Real Average Weekly Wages and Salaries (percentage changes) *	47.1	23.7	2.0	3.2	4.0	2.1	1.0	3.2	2.0	2.1	1.9
	1946-53	1953	1954	1955	1956	1957	1958	1959	1960	1961	1962
Unemployment as a Percentage of the Labour Force	2.8	3.0	4.6	4.4	3.4	4.6	7.1	6.0	7.0	7.2	5.9
Labour Income as a Percentage of National Income	60.9†	62.8	65.4	63.8	64.3	66.7	66.0	66.1	66.7	67.6	66.5

* Industrial Composite (see Table 6).

† Simple average of the figures for the years 1946-53 inclusive.

TABLE 6
PERCENTAGE CHANGES IN AVERAGE WEEKLY WAGES AND SALARIES, BY MAJOR INDUSTRY, CANADA, 1946-1962

Industry	1946-62	1953-62	1953-54	1954-55	1955-56	1956-57	1957-58	1958-59	1959-60	1960-61	1961-62
Industrial Composite *	148.1	40.6	2.8	3.4	5.6	5.4	3.7	4.3	3.2	3.0	3.2
Wages and Salaries											
Manufacturing	156.3	36.1	2.1	3.5	5.0	4.1	2.8	5.1	2.6	3.2	3.1
Wages	157.8	41.0	3.3	3.8	5.1	4.8	3.9	4.4	3.1	3.2	3.0
Wages and Salaries											
Forestry *	179.0	39.4	3.0	1.2	7.9	6.1	3.4	- .2	4.5	2.9	5.1
Wages and Salaries											
Mining											
Wages	141.9	38.9	2.2	3.8	6.1	7.3	2.5	4.3	2.9	2.1	2.4
Wages and Salaries	152.1	43.9	2.6	4.0	6.1	7.5	3.2	4.8	3.3	2.2	3.1
Construction											
Wages	183.5	38.0	- .7	1.1	12.0	7.1	- .3	2.5	5.6	2.0	4.0
Wages and Salaries	172.4	42.2	.8	1.6	10.4	7.4	1.2	2.7	5.1	2.6	4.3
Transportation, Storage, Communication *											
Wages and Salaries	137.1	45.7	2.5	2.9	4.2	5.8	4.9	6.6	3.4	4.3	3.6
Public Utility Operation *											
Wages and Salaries	155.4	49.6	4.0	4.3	5.1	6.2	6.2	5.0	3.9	3.3	3.1
Trade *											
Wages and Salaries	143.2	43.3	4.8	3.3	4.2	5.3	4.7	4.9	3.3	2.9	3.2
Finance, Insurance and Real Estate *											
Wages and Salaries	111.5	47.9	4.1	5.3	6.2	5.1	4.8	3.6	2.9	4.4	3.3
Service											
Wages †	111.5	27.6	3.3	1.7	3.8	4.0	2.4	2.6	3.3	1.7	1.8
Wages and Salaries †	161.3	55.2	5.2	4.6	5.5	6.6	5.4	4.2	5.6	4.3	3.3

* Average weekly wages data are not available.

† Includes hotels and restaurants, laundering and dry cleaning plants.

‡ Includes hotels and restaurants, laundering and dry cleaning plants and business service.

SOURCE: Average weekly wages data from DBS, Review of Man-Hours and Hourly Earnings, Annual, Queen's Printer, Ottawa, Data refer to hourly-rated wage earners; Average weekly wages and salaries data from DBS, Review of Employment and Payrolls, Annual, Queen's Printer, Ottawa, Data refer to all workers.

TABLE 7
PERCENTAGE CHANGES IN EMPLOYMENT BY MAJOR
INDUSTRY, CANADA, 1953-1962

Industry	Employment Change per cent
Industrial Composite	+ 7.4
Manufacturing	+ .3
Forestry	-27.9
Mining	+ 5.1
Construction	+ 5.2
Transportation, Storage, Communication	- 2.5
Public Utility Operation	+30.0
Trade	+24.3
Finance, Insurance and Real Estate	+39.0
Service	+43.8

SOURCE: DBS, Review of Employment and Payrolls.

cent in British Columbia on the west coast to 40 per cent in Ontario and 43 per cent in Quebec, reflecting the latter province's rapid industrialization during the 1950's (see Table 8).

The importance of economic forces in wage and salary behaviour is illustrated further by pay patterns among different categories of workers. Industrial and technological advances during the 1950's resulted in large increases in white-collar, professional, scientific, technical and non-manufacturing employment and small increases or actual declines in blue-collar employment in manufacturing and some other industries.¹² Average weekly salaries of white-collar workers appear to have increased at a faster rate than average weekly wages of blue-collar workers. Separate data on average weekly salaries are not recorded in the table showing these trends (see Table 6). However, it is clear from a comparison of average weekly wages and average weekly wages and salaries that salaried workers gained significantly over their blue-collar counterparts in the period since 1953. Between 1953 and 1962, average weekly wages and salaries rose some 41 per cent in manufacturing, 42 per cent in construction, 44 per cent in mining, 46 per cent in transportation and 55 per cent in service. Increases in average weekly wages, on the other hand, never reached 40 per cent except in transportation. Because of the relatively larger weight of blue-collar workers in the average weekly wages and salaries figures for most of the industries, it is quite

TABLE 8
 PERCENTAGE CHANGES IN AVERAGE WEEKLY
 WAGES AND SALARIES, AND EMPLOYMENT IN
 CANADA, BY PROVINCE AND REGION,
 1953-1962

Region and Province	Average Weekly Wages and Salaries per cent	Employment per cent
Atlantic Region	+33.8	- 2.7
Newfoundland	+31.3	- 5.1
Prince Edward Island	+30.4	+17.6
Nova Scotia	+35.2	- 6.4
New Brunswick	+33.9	+ 3.1
Quebec	+42.5	+ 8.2
Ontario	+40.2	+ 7.4
Prairie Region	+39.4	+12.5
Manitoba	+37.2	+ 3.9
Saskatchewan	+40.6	+ 7.2
Alberta	+38.9	+23.1
British Columbia	+37.5	+ 6.9
Canada	+40.0	+ 7.4

SOURCE: DBS, Review of Employment and Payrolls.

clear that separate data on salaries would have indicated much greater gains for salaried workers than has been indicated in the statistics just quoted.

Wage movements in the 1953-1962 period have been accompanied by a change in the share of total income going to labour. Labour's share of total income shows a slow but steady increase to 1957, rising from 63 per cent of national income in 1953 to 67 per cent in 1957. Since 1957 the share has changed very little. The rise of the labour share to 1957 is but a continuation of a longer-term trend reflecting the relative decline in agriculture (which has a very low ratio of wages to total income) and non-farm, unincorporated business and a relative growth of employment in government and the service industries (which have a very high ratio of wages to total income).¹³

WAGE DEVELOPMENTS

Changes in the Wage Structure

More detailed evidence on the Canadian wage structure and its changes through time has been compiled by several authors from the mass of occupational and industry wage statistics collected by Canadian government departments.¹⁴ This evidence, a summary of which follows, shows that wages among individual occupations, industries and geographical areas have, on the whole, responded positively to the changes that have taken place in these sectors since the war.

Occupational Wage Differentials: On a percentage basis, the wage differential between skilled and unskilled workers narrowed considerably during the war and immediate post-war period. Since the early 1950's, the narrowing process has slowed down in some industries, stopped in others and has been reversed in still others.

The percentage narrowing of the occupational wage structure has been attributed to the increase in education, a long-run factor which operates to increase the supply of skilled workers relative to unskilled workers, and to full employment and inflation. During the war and immediate post-war period, government wage policy¹⁵ and union pressures resulted in flat cents-per-hour increases across the board, thus narrowing the skill differential. These actions were supported by a relative increase in the supply of skilled workers brought about through speeded upgrading, accelerated training and simplification of many skilled jobs. Since the early 1950's, rapid technological change has created conditions resulting in many types of skills being in short supply and unskilled labour being in abundant supply. This change in structure of the demand for and supply of labour has been given as the main explanation of the arresting of the narrowing of wage differentials in the 1950's, and even the widening that is beginning to take place in a number of industries.¹⁶ Many unions have responded to the realities of the market and the increased bargaining position of skilled workers within their ranks by negotiating additional adjustments for these workers in new contracts or by establishing separate bargaining for them.

The tendency for skill differentials to widen during the 1950's becomes clearer if comparisons between the newer and expanding skilled occupations are made with unskilled occupations. For example, between 1958 and 1962 (the only period for which consistent information for professional occupations is available), median salaries for engineers and scientists increased by approximately 15 and 21 per cent respectively. In contrast, average weekly wages and salaries rose about 14 per cent and average weekly wages in manufacturing by about 15 per cent (see Table 9).

TABLE 9
PERCENTAGE CHANGES IN WAGES AND SALARIES, SELECTED PROFESSIONAL,
SKILLED AND UNSKILLED OCCUPATIONS, 1958-1962

	1958-62 per cent
1. Average Weekly Wages and Salaries (Industrial Composite)	14.4
2. Average Weekly Wages, Manufacturing	14.6
3. Average Straight-Time Hourly Earnings, Manufacturing	
Electrician	13.4*
Carpenter	12.2*
Labourer	5.1*
4. Median Salaries	
Engineers	15.0
Scientists	20.5
Biology	26.9
Chemistry	28.0
Mathematics	32.4
Physics	27.3

* City of Toronto.
† City of Montreal.

SOURCES: 1. DBS, Review of Employment and Payrolls.
2. DBS, Review of Manhours and Hourly Earnings.
3. Economics and Research Branch, Department of Labour, Wage Rates, Salaries and Hours of Labour.
4. Economics and Research Branch, Department of Labour, Professional Manpower Report No. 12,
Queen's Printer, Ottawa, September 1962; and Professional Manpower Bulletin, Ottawa, May 1963.

WAGE DEVELOPMENTS

Inter-Industry Wage Differentials: Inter-industry wage differentials also showed a narrowing trend during the war and immediate post-war period, although the narrowing was modest and tended to be less than in most other countries.¹⁷ A number of factors were at work causing this narrowing, including those which caused skill differentials to narrow (government and union wage policies) as well as relatively large increases in the employment of unskilled and semi-skilled workers and slow rates of wage increases in high-wage industries because of the relative ease of recruitment in those industries. However, there were so many exceptions to these explanations that almost each individual situation would have to be explained separately. After the war, peacetime industries experienced unprecedented demands on their output, while high-wage wartime industries declined. This resulted in a reshuffling of the relative ranking of industries and a continued narrowing of the inter-industry wage structure. During the 1950's, the narrowing process, as in the case of skill differentials, was arrested to some degree and a widening of the inter-industry structure began to take place under the impetus of new patterns of international trade, technological change and re-establishment of differentials thrown out of line by the inflationary conditions of the preceding period. Some narrowing of the differentials again becomes apparent after 1956, reflecting gains in lower-wage expanding "domestic" industries compared to wage movements in the higher wage sectors exposed to increasing international competition (see Table 10).

TABLE 10
DISPERSION OF INTER-INDUSTRY AVERAGE WEEKLY WAGES
AND SALARIES, AND AVERAGE HOURLY EARNINGS OF
HOURLY RATED WORKERS, 1949, 1953, 1956 AND 1961

Year	Coefficient of Dispersion *	
	Average Weekly Wages and Salaries	Average Hourly Earnings
1949	11.2	13.7
1953	12.0	16.4
1956	12.8	16.6
1961	11.2	16.0

* Interquartile range divided by median.

SOURCE: DBS, Review of Employment and Payrolls (average weekly wages and salaries); and Review of Manhours and Hourly Earnings (average hourly earnings).

Correlation of wage changes with a number of variables tends to indicate the importance of market forces in the shaping of the inter-industry wage structure during the post-war period. In her study of changes in this structure since World War II, Professor Ostry found a significant positive correlation between changes in average hourly earnings in both absolute and percentage terms and changes in employment, and little correlation between earnings changes and productivity, concentration, relative labour costs and unionism.¹⁸ Evidence of a different sort has been compiled to show that unionism may be exercising its own influence on wage behaviour and that such influence is often hidden in the aggregative inter-industry method of analysis.¹⁹ Unfortunately, this evidence is too limited to permit an assessment of the extent and magnitude of the union influence. However, other evidence discussed in this paper and elsewhere suggests that such influence on wages does not appear to have had a serious adverse effect on the economic development of most industries and sectors in the Canadian economy.

Regional Wage Differentials: As with occupational and inter-industry wage differentials, regional wage differentials narrowed during the war and immediate post-war period under the pressure imposed by a rapidly expanding and inflationary economy in which all provinces shared. The end of the inflationary expansion in the 1950's saw regional wage differentials widening until pre-war regional wage relativities were more or less re-established and maintained. The relative wage position of the Atlantic provinces, however, has continued to decline reflecting the economic problems of that area.

The very wide levels in earnings among the different regions (see Table 11) reflect the pronounced regional differences in industrial structure, characteristics of the labour force, degree and strength of unionism and distance from markets (see first part of Chapter 1). However, in industries which are nationwide and heavily unionized, such as meatpacking, railways, pulp and paper and steel, regional wage differentials tend to be considerably reduced. Moreover, narrower differentials also occur in industries in which low wage provinces are the predominant producers. Examples are cotton textiles, clothing and boots and shoes, in which Quebec is the leading producer. Finally, regional wage differentials vary considerably among different categories of workers tending to be very wide among unskilled and relatively narrow among skilled. Indeed, the higher the level of skill the narrower the regional wage differential reflecting the greater market knowledge, unionization and mobility of higher paid workers.

TABLE 11
AVERAGE WEEKLY WAGES AND SALARIES, MAJOR INDUSTRIES AND PROVINCES,
1962

Industry	Average Weekly Wages and Salaries dollars	Province	Average Weekly Wages and Salaries dollars
Forestry	81.42	Atlantic Provinces	67.05
Mining	98.82	Newfoundland	73.19
Manufacturing	83.17	Prince Edward Island	58.10
Construction	85.90	Nova Scotia	65.73
Transportation, Storage, Communication	88.98	New Brunswick	65.72
Public Utility Operation	97.49	Quebec	77.99
Trade	69.18	Ontario	83.66
Finance, Insurance and Real Estate	76.37	Prairie Provinces	78.70
Service	57.23	Manitoba	75.52
Industrial Composite	80.55	Saskatchewan	77.01
		Alberta	82.01
		British Columbia	87.44
		Canada	80.55

SOURCE: DBS, Review of Employment and Payrolls, 1962.

Negotiated Wage Settlements

Special tabulations to show wage behaviour in the union sector are given in Tables 12, 13 and 14. These tabulations are restricted to negotiated wage settlements in collective agreements, each covering 500 or more workers (exclusive of construction agreements), therefore excluding the thousands of agreements negotiated regularly across the country in units of less than 500 employees. Data for the settlements are available back to 1959 only. To catch union wage behaviour over the cycle, data for three industries (iron and steel products, electrical apparatus and supplies and motor vehicles and motor vehicle parts and accessories) have been tabulated back to 1956.

Several features of the wage settlement data need to be noted for purposes of interpreting them. First, the tabulations measure cents-per-hour changes in base rates only and since base rate information is not given it is not possible to convert these changes into percentages. Also, changes in the base rates indicate wage changes received by workers employed at the base rates but these are not necessarily representative of actual wage changes experienced by the different categories of workers in the bargaining unit. Such wage changes are usually specified in detail in the collective agreement, but for purposes of summarizing wage changes they have never been compiled or tabulated in a systematic manner.

A second feature of the wage settlement data stems from the recent growth and spread of long-term agreements. In 1962, less than one-third of 227 major new settlements (each covering 500 or more workers) were one year in length. Some 37 per cent were signed for two years and 31 per cent for more than two years (see Table 15). In most of the long-term agreements, provision is made for wage adjustments to come into effect at specified dates during the life of the contract. The data in the accompanying tables do not measure these deferred adjustments but measure only wage settlements in one-year contracts and the first year instalments of longer term contracts. Thus wage adjustments for a sizeable proportion of workers in large bargaining units coming into effect in any one year have been omitted. For the period 1959-1962 this omission may not be too serious since deferred wage adjustments, overall, do not appear to differ to any great extent from currently negotiated adjustments (see Table 15). This relation may be partly explained by the relatively little change in economic activity during this period. The significance of long-term agreements for wage behaviour becomes apparent under conditions of rapid economic change. Under such conditions the effect of long-term agreements, which provide for wage adjustments to take effect at fixed dates in the future, is to reduce the sensitivity

TABLE 12
YEAR TO YEAR CHANGES IN NEGOTIATED WAGES IN LARGE BARGAINING UNITS AND AVERAGE HOURLY EARNINGS (AHE),
IN CENTS PER HOUR, BY INDUSTRY, 1959-1962

Industry	1959		1960		1961		1962	
	Neg. cents	AHE cents	Neg. cents	AHE cents	Neg. cents	AHE cents	Neg. cents	AHE cents
Mining	2.6	8	3.8	5	5.3	4	4.3	5
Manufacturing	5.9	6	6.8	6	5.1	6	5.6	5
Food and Beverages	6.5	8	7.3	4	3.8	4	5.6	3
Tobacco	8.9	9	-	7	9.0	9	10.0	4
Rubber	5.1	8	7.0	4	4.7	4	4.0	7
Leather	9.0	3	2.4	4	4.0	3	5.0	4
Textiles	4.8	4	7.7	5	4.8	4	8.3	4
Clothing	.3	3	8.4	3	6.0	4	8.1	4
Wood Products	6.0	3	3.0	9	3.5	3	6.0	4
Paper Products	6.3	6	7.7	8	4.8	9	5.2	7
Printing and Publishing	12.2	10	6.1	8	8.3	6	11.7	9
Iron and Steel	5.7	10	4.2	6	3.8	6	4.7	5
Transportation Equipment	5.9	9	4.0	5	5.1	8	4.5	8
Non-ferrous Metals	4.5	5	10.7	9	7.9	7	5.0	2
Electrical Apparatus and Supplies	7.1	6	4.3	6	5.3	4	3.8	3
Non-metallic Mineral Products	7.0	6	8.5	6	4.0	7	7.3	5
Petroleum and Coal Products	8.0	14	4.1	8	7.0	6	8.0	9
Chemicals	6.6	6	7.0	9	4.9	7	6.8	6
Miscellaneous	6.0	4	8.2	5	-	3	5.0	4
Logging	8.1	N.A.*	4.9	N.A.	4.5	N.A.	8.9	N.A.
Transportation	7.0	N.A.	6.3	N.A.	12.3	N.A.	3.4	N.A.
Storage	6.4	N.A.	-	N.A.	4.0	N.A.	5.4	N.A.
Communications	5.6	N.A.	5.5	N.A.	4.8	N.A.	6.3	N.A.
Public Utilities	6.4	N.A.	5.4	N.A.	4.8	N.A.	9.2	N.A.
Trade	5.6	N.A.	8.9	N.A.	4.7	N.A.	6.5	N.A.
Service	7.6	3	6.5	4	6.2	3	6.2	3

* N.A. Not available, as indicated in this table.

SOURCE: Negotiated Wage Increases: Economics and Research Branch, Department of Labour, Special Tabulation, Ottawa, 1963. Figures are averages of settlements in one year contracts and first instalment increases in long term contracts. Data refer to agreements covering 500 or more workers.
Average Hourly Earnings: DBS, Review of Man-Hours and Hourly Earnings, Data refer to hourly-rated wage earners in establishments employing 15 or more workers.

TABLE 13
EIGHTY PER CENT RANGE* OF WAGE SETTLEMENTS IN CENTS PER HOUR, LARGE BARGAINING UNITS BY INDUSTRY, 1959-1962
(Agreements covering 500 or more workers)

Industry	1959 cents	1960 cents	1961 cents	1962 cents
Mining	0-5	2-6	3-5	0-7
Manufacturing	-	-	-	-
Food and Beverages	4-10	6-10	2-9	3-10
Tobacco	5-10	-†	-†	-†
Rubber	2-8	4-9	2-6	0-5
Leather	-†	2-3	-†	-†
Textiles	2-6	3-10	0-8	5-10
Clothing	-†	4-18	3-8	2-15
Wood Products	4-8	-†	3-4	-†
Paper Products	5-7	4-11	0-5	4-7
Printing and Publishing	5-19	4-9	7-10	4-20
Iron and Steel	5-7	2-7	2-5	3-6
Transportation Equipment	4-7	3-8	3-6	0-6
Non-ferrous Metals	3-6	3-13	6-9	-†
Electrical Apparatus and Supplies	4-9	0-7	5-6	3-7
Non-metallic Mineral Products	5-10	8-12	3-5	4-9
Petroleum and Coal Products	-†	1-8	-†	-†
Chemicals	5-9	6-10	3-6	4-10
Miscellaneous	-†	7-10	-†	-†
Logging	5-10	0-8	0-9	5-15
Transportation	5-11	4-9	8-13	3-4
Storage	5-8	-†	3-5	4-6
Communications	4-7	3-8	4-6	3-9
Public Utilities	3-11	1-10	4-7	5-14
Trade	2-10	5-13	0-9	4-14
Service	5-12	4-14	2-11	3-8

* The eighty per cent range is the range below which and above which the wage changes of 20 per cent of the workers are excluded.

† No eighty per cent range.

SOURCE: Economics and Research Branch, Department of Labour, Special Tabulation, Ottawa, 1963.

TABLE 14
CHANGES IN NEGOTIATED WAGES IN CENTS PER HOUR, IN LARGE BARGAINING UNITS IN
IRON AND STEEL PRODUCTS, ELECTRICAL APPARATUS AND SUPPLIES AND
MOTOR VEHICLES AND MOTOR VEHICLES PARTS AND ACCESSORIES,
1956-1962

(Agreements covering 500 or more workers)

	1956 cents	1957 cents	1958 cents	1959 cents	1960 cents	1961 cents	1962 cents
Iron and Steel Products	7.9	8.9	5.5	5.7	4.2	3.8	4.7
Electrical Apparatus and Supplies	7.7	8.8	6.0	7.1	4.3	5.3	3.8
Motor Vehicles and Motor Vehicles Parts and Accessories	6.2	10.0*	6.0	5.9†	4.0†	5.1†	4.5†

* Represents one agreement covering 540 workers.

† Data for Transportation Equipment of which the Motor Vehicles and Motor Vehicles Parts and Accessories is a part.

SOURCE: Economics and Research Branch, Department of Labour, Special Tabulations, Ottawa, 1963.

TABLE 15
NEGOTIATED WAGE CHANGES, BARGAINING ACTIVITY AND STRIKES,
1959-1962

	1959	1960	1961	1962
1. Negotiated Wage Changes (500 and more workers) cents per hour	6.2	6.3	6.9	5.6
2. Deferred Wage Adjustments (500 and more workers) cents per hour	-	6.3*	6.0†	5.5†
3. Number of Major Agreements Negotiated (500 and more workers)	224	173	214	226
4. Number of Workers Covered ('000)	360	268	465	447
5. One Year Agreements (percentage of total negotiated)	33	36	40	31
6. Longer Term Agreements (percentage of total negotiated)	67	64	60	69
7. Percentage of Workers Covered - One Year Agreements	33.5	41.8	35.8	22.5
8. Percentage of Workers Covered - Longer Term Agreements	66.5	58.2	64.2	77.5
9. Number of Strikes and Lockouts (all strikes and lockouts)	216	274	287	311
10. Number of Workers Involved ('000)	96	49	98	74
11. Man Days Lost ('000)	2,227	739	1,335	1,418
12. Per Cent Estimated of Work Time Lost	0.19	0.06	0.11	0.11

* Average of second year instalment of wage increases negotiated in collective agreements in 1959. Information on wage adjustments negotiated in contracts signed before 1959 is not available.
† Average of wage adjustments coming due in 1961 and negotiated in collective agreements signed in 1959 and 1960.
‡ Average of wage adjustments coming due in 1962 and negotiated in collective agreements signed in 1959, 1960 and 1961.

SOURCES: Lines 1 and 2, Economics and Research Branch, Department of Labour, Special Tabulations, Ottawa, 1963.

Lines 3, 4, 5, 6, 7 and 8, Department of Labour, Labour Gazette, Monthly, Queen's Printer, Ottawa.

Lines 9, 10, 11 and 12, Economics and Research Branch, Department of Labour, Strikes and Lockouts in Canada, Annual, Queen's Printer, Ottawa.

WAGE DEVELOPMENTS

of wage behaviour to the business cycle since the magnitude of the adjustments is usually affected by the economic climate in the period of negotiations. Because long-term agreements have only recently become popular in Canada, there has been no significant experience with them over the cycle.²⁰

A third point to note about wage settlement data is the fact that only settlements are counted in the statistics. Thus, in sectors where economic activity is low, it is quite possible that a number of contracts may not be open for negotiations. This would raise the recorded average negotiated wage increase since the number of counted no-wage-increase situations is reduced. A final point concerns fringe benefits and job security provisions. These have acquired greater importance in recent years in the face of high rates of unemployment. The value of these provisions is not recorded in the wage settlement data and therefore the value of the total package in recent years is undoubtedly understated compared to earlier years. Also, the diversity of practice concerning the proportions of the total package going to wages and to fringes makes more difficult an analysis of the spread of settlements. Unfortunately, in Canada there are no reliable data on the value of supplementary wage items of total compensation that can be used to estimate their relation to wage movements.

Subject to the considerations in the foregoing paragraphs, the statistics in Tables 12, 13 and 14 attempt to show the influence of changing economic conditions on the magnitude of negotiated wage settlements, the degree of similarity among settlements in individual industries and between industries, and the relation between settlements and overall wage movements. As can be seen from the data in Tables 12 and 14, the magnitude of wage settlements tends to vary with the cycle. Settlements were larger in the boom years of 1956 and part of 1957 than they have been since. Union wage movements also appear to vary with the economic fortunes of individual industries. There is little apparent similarity in wage settlements among industries or even within industries (Tables 12 and 13). However, it is known that some similarity does occur within certain industries or sections of industries located in the same geographical area where bargaining tends to be conducted jointly or where key settlements are followed. Examples are automobiles, logging and pulp and paper. Finally, the relation between settlements in large bargaining units and overall wage movements in individual industries appears to be weak. This latter conclusion should be interpreted with some caution since it is based on a comparison of wage settlements and average hourly earnings of hourly rated workers (see Table 12). The latter data are averages of wage changes for all categories of hourly rated workers in establishments employing 15 or more workers. The statistics include various premiums such as those paid for

overtime and shiftwork and are affected by employment shifts. The wage settlement data, on the other hand, apply to employees earning base rates in large bargaining situations, do not include premiums and are not affected by employment shifts. Nevertheless, the nature of the wage determination process in the Canadian environment and the restricted scope of collective bargaining suggest that settlements in large bargaining units would be poor indicators of overall wage movements and would not have too much direct relation to their magnitude.

★ 5 ★

Wages, Costs And Prices

Price rises in Canada since 1953 have been comparatively mild. Consumer prices have risen about 13 per cent between 1953 and 1962 and wholesale prices less than 9 per cent (see Table 5). The largest price rises took place in the 1955-1957 boom period and in the 1957-1958 downturn in economic activity. In the remaining years prices have been virtually stable or have risen by little more than one per cent or less.

No systematic evidence is available to explain the causes of the price rise in the 1955-1958 period, nor is there unanimous opinion concerning the role of wages in price behaviour. The 1955-1957 boom was characterized by large-scale capital expansion, high rates of investment spending and brisk demand for Canadian products in foreign markets. These forces exerted considerable pressures on both product and labour markets resulting in price and wage increases. Continued price increases in the ensuing economic downturn of 1957-1958 have been attributed to lags in price and wage movements carried over from the previous boom, administered pricing in certain product markets and the influence of deferred wage increases. Since many of the price increases of 1957-1958 occurred in the weakly unionized food and services sectors, it does not seem probable that negotiated wage settlements were as important in pushing up prices in that year as has been sometimes suggested.

Recent studies by the Canadian Departments of Trade and Commerce and Labour indicate a very weak relation between wages, costs, prices and Canada's international trade of manufactured products.²¹ The highest industrial wages tend to be found in the export sector. The rapid increases in wages and unit wage costs which characterized that sector during part of the 1950's did not have an adverse effect on exports. Indeed, the evidence strongly suggests that price, wage and cost increases in the export manufacturing industries were a result of the rapid expansion that took place in those industries in the early and mid-1950's.

Canada's import-competing manufacturing industries, on the other hand, did face serious competitive difficulties during the 1950's. These difficulties have generally contributed to statements in which Canada's international economic troubles have been laid at the door of Labour. There is little evidence to support this view. Wages in industries subjected to intense import competition are generally lower than wages elsewhere and during the 1950's rose more slowly than wages on average. Unit wage costs rose even less and actually declined in a number of the industries. The explanation for this wage-cost relation can be found in the very large improvements in productivity that took place in these industries as a result of the rapid introduction of new technology. Price rises that did take place in this group of industries were generally not very large and appeared to be a result of short-run pressures engendered by technological change and cost and demand factors originating in other sectors of the economy.

Conclusion

Wages in post-war Canada have shown a marked tendency to behave in a manner consistent with the economic experience of individual establishments, companies, industries, occupations and geographical areas. Wages have generally moved quickly or slowly in response to changes in economic activity. Occupational, industrial and geographical wage differentials narrowed considerably during the war and the immediate post-war period as would be expected given the conditions in the labour market at that time. The disappearance of full employment and inflationary conditions and the intensification of international competition in the 1950's were reflected in a tendency for the wage structure to widen, and in the case of the inter-industry wage structure, to stabilize or narrow again in response to shifting labour demand and supply conditions. As wage differentials now stand in Canada, they are considered wide by international standards.²² Average weekly wages and salaries in the highest wage region in Canada are one-third above the lowest wage region; the highest wage major industry pays 70 per cent more in average weekly wages and salaries than the lowest wage industry; within manufacturing the highest wage industry has a wage level more than double that of the lowest wage manufacturing industry; wage differentials between skilled and unskilled workers within the same industry often amount to 50 per cent and in some instances even 100 per cent.

Wide dispersion of wages in the Canadian economy typifies the pronounced economic differences within the country and the atomistic structure of wage determination resulting in thousands of independent and separate wage decisions in individual establishments and companies across the country. Collective bargaining has developed independently, plant by plant and locality by locality and, consequently, continues to be highly responsive to local conditions and pressures. Co-ordination of wage decisions on a national basis has not developed under these conditions and there is no basis for

its development in an economy where jurisdiction over labour matters is divided among 11 separate governments and where economic integration of the various sectors is virtually non-existent. However, institutional arrangements in the Canadian labour market tend to exert a constant pressure on wages throughout the economy. Although wage patterns may not be discernible, and although they may not yield deliberate uniformity in wage movements, their existence must be admitted as a factor, albeit an unknown factor, in Canadian wage behaviour. Some evidence of this pattern behaviour has been documented in a few industries where patterns tend to occur on a local or regional basis. In most other industries patterns are not immediately evident. On the whole, however, as already indicated, wage behaviour in Canada tends to be dominated by economic factors and therefore under present conditions there appears little likelihood of wages being a causal factor in price inflation. In the past decade, at least, on the basis of what little evidence there is, wage movements do not appear to have exerted a serious push on prices.

FOOTNOTES

- 1 Economics and Research Branch, Department of Labour, *Labour Organizations in Canada*, Annual, Queen's Printer, Ottawa, 1962.
- 2 Stuart Jamieson, *Industrial Relations in Canada*, The Macmillan Company of Canada Ltd., Toronto, 1957, pp. 54-59 for an account of the French-Canadian labour movement.
- 3 *Ibid.*, Chapter III; and J.T. Montague, "International Unions and the Canadian Trade Union Movement", *Canadian Journal of Economics and Political Science*, February 1957.
- 4 Stuart Jamieson, *op. cit.*, p. 74.
- 5 *Ibid.*, p. 77.
- 6 Statistics quoted in this paragraph and the two succeeding paragraphs were developed in a special study on the structure of collective bargaining in Canada currently being undertaken in the Economics and Research Branch of the Department of Labour.
- 7 Stuart Jamieson, *op. cit.*, page 113. Also see H.D. Woods and Sylvia Ostry, *Labour Policy and Labour Economics in Canada*, Macmillan Company of Canada Ltd., Toronto, 1962, Part I.
- 8 Statistics on provincial minimum wages can be found in, Legislation Branch, Department of Labour, *Provincial Labour Standards*, Annual, Queen's Printer, Ottawa.
- 9 L.G. Reynolds and C. Taft, *Evolution of Wage Structure*, Yale University Press, New Haven, 1956, p. 315.
- 10 For some documentation of the pace, and manpower and other effects of technological change in Canada during the 1950's see W.R. Dymond, *Technological Changes and Their Impact on Employment and Occupations*, Proceedings of the Special Committee of the Senate on Manpower and Employment, No. 6, February 1961, Queen's Printer, Ottawa.
- 11 Some of the fastest growing industries in the service sector: health, education and government, are not included in the statistics. Since earnings in those industries have risen at an exceedingly rapid rate in recent years, their inclusion in the data would have accentuated considerably the trends noted in the service sector.
- 12 For example, between 1953 and 1959, blue-collar employment in manufacturing fell five per cent. White-collar employment, on the other hand, increased 12 per cent. (Figures from DBS, *General Review of the Manufacturing Industries*, Annual, Queen's Printer, Ottawa, 1953 and 1959 issues.)

- 13 See S.A. Goldberg, "Long Run Changes in the Distribution of Income by Factor Shares in Canada", to be published in 1964 in *Studies in Income and Wealth*, Volume 27, Conference on Research in Income and Wealth, National Bureau of Economic Research.
- 14 See, for example, H.D. Woods and Sylvia Ostry, *op. cit.*, Part II and L.G. Reynolds and C. Taft, *op. cit.*, Chapter II. The evidence given in the following paragraphs on occupational, industrial and regional wage differentials is taken largely from these two sources. Data on occupational wage rates for more than 80 industries with provincial and in some cases city detail and for 52 communities are compiled annually by the Economics and Research Branch of the Department of Labour in the volume, *Wage Rates, Salaries and Hours of Labour*, available from the Queen's Printer, Ottawa. Earnings statistics showing industry, provincial and city detail are available monthly from DBS publications: *Manhours and Hourly Earnings* and *Employment and Payrolls*. Annual review numbers of these publications are available.
- 15 During the war emergency, federal jurisdiction was extended to the whole labour force.
- 16 H.D. Woods and Sylvia Ostry, *op. cit.*, pp. 436-438.
- 17 See L.G. Reynolds and C. Taft, *op. cit.*, pp. 299-307 and H.D. Woods and Sylvia Ostry, *op. cit.*, Chapter XVI.
- 18 Sylvia W. Ostry, "Interindustry Earnings Differentials in Canada, 1945-1956", *Industrial and Labour Relations Review*, April 1959.
- 19 See George S. Saunders, *The Movement of Union and Non-Union Wage Rates in the Ontario Iron and Steel Products Industries*, University Microfilms Inc., Ann Arbor, Michigan, 1959; Philip Betcherman, *Unions and Wage Rates in the Newsprint Industries of Quebec and Ontario, 1909-1948*, Unpublished Master's thesis, McGill University, Montreal, October 1950; H.H. Morritt, *Regional Wage Differentials and the Position of the Maritime Provinces*, Unpublished Master's thesis, Cornell University, Ithaca, 1959; and W.R. Dymond, *Wage Push Inflation*, paper presented to Canadian Political Science Study Group, Ottawa, February 26, 1959, Mimeographed.
- 20 A study of a sample of 1,000 agreements in 1954 revealed that almost four-fifths of them were one-year agreements.
- 21 Economics Branch, Department of Trade and Commerce, *Canadian Manufacturing Unit Labour Costs, Preliminary Results of an Analytical and Comparative Study*, Mimeographed, Confidential, August, 1960, Ottawa; George Saunders, *The Labour Cost Project, A Progress Report*, Mimeographed, Confidential, Economics and Research Branch, Department of Labour, November, 1962. For a summary of the latter study see R.M. Adams, *Labour Costs as a Factor in Import Competition, International Business Management Lectures*, 1962, Waterloo University College, undated.
- 22 L.G. Reynolds and C. Taft, *op. cit.*, p. 314.

Dr. George Saunders wrote this paper during the winter of 1963-1964, while serving as Canadian member of a group of independent experts established by the Organization for Economic Co-operation and Development to study the relation between changing wage differentials and labour mobility.

The author is indebted to Dr. R. M. Adams and Mr. C. D. Harper for helpful comments and to Messrs. Jack Keller and G. W. Jaycox for their help in the preparation of the tables included in the paper.

φ 23.1.67

